

OCT 26 2016

Edwards,Michelle

From: Elliott,Earl
Sent: Wednesday, October 26, 2016 7:43 AM
To: Azar, George; Neil Garrison; Nasser,Karrum; Nation,Todd; Crossen,Martha; Auler,Amy; Don Morris; DeBaun,Curtis
Cc: Bennett,Duke A; Ellis,Leslie; Edwards,Michelle; Sue Loughlin; Felling,Darrell
Subject: The 2017 proposed budgets. Good or bad?

CITY CLERK

In the early spring of 2016 the Terre Haute City Council and the Mayor spent considerable time discussing the City's poor cash position. During that discussion consensus was reached that the general fund cash balance should be a minimum of \$6,000,000. At December 31,2015 the general fund cash deficit was \$8,839,513. The difference is nearly \$15,000,000. Discussion concerning a reasonable period of time to rebuild the general fund cash balance indicated five years was appropriate. \$3,000,000 per year over five years is therefore the target. The target for all the other funds combined is \$2,000,000 per year for a total targeted increase in the pooled cash balance of \$5,000,000. The question is do the 2017 current proposed budgets provided by City Administration meet or come close to those targets. The answer is no. Details that support the answer follow.

The 2017 proposed general fund budgeted surplus is \$1,107,090. This is \$1,892,910 less than the \$3,000,000 target.

The 2017 proposed budgets for the five other funds with a surplus indicate a total surplus of \$468,975.

The 2017 proposed budgets. for the thirteen other funds with deficits indicate a total deficit of \$2,606,672.

The total net 2017 budget deficit of all nineteen funds is \$1,030,607. This is \$6,030,607 less than the \$5,000,000 target.

The total net 2017 budget deficit of \$1,030,607 will do little if anything to improve the city's total pooled cash position even considering the amounts in the 2017 budgets that will not be spent.

The City Council shares in the difficult task of balancing the means of the City with the needs and costs of providing services expected by our constituents. A major part of this task is receiving from City Administration responsible budgets that do that so the Council members are totally comfortable approving them. Our City's current low cash balances complicates the process by causing the need for surpluses to improve the cash balances. It is not easy to increase the means of the City for so many reasons , however, that should be a topic for Council discussion once 2016 operating results are known.

The City's financial challenges are only part of the local financial challenges. Our local school corporation is addressing the need to renovate existing or build new high schools. That will require local funding. Vigo County officials are addressing the need for a new jail. That will also require local funding.

All participants in the 2017 City budget process have until tomorrow evening to reflect on this and provide feedback before Council votes on the 2017 budgets.

O Earl Elliott, CPA
Terre Haute City Council District 2